

Message Text

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C O N F I D E N T I A L SECTION 1 OF 2 PEKING 2413

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E.O. 11652: GDS
TAGS: EAGR, OVIP (BERGLAND, BOB) SECRETARY OF AGRICULTURE CH US

SUBJ: SECRETARY BERBLAND'S VISIT TO PRC

1. SUMMARY AND OVERVIEW. THIS MESSAGE PRESENTS USLO'S VIEWS AND RECOMMENDATIONS ON MAXIMIZING THE EFFECTIVENESS OF SECRETARY BERGLAND'S VISIT. THE SECRETARY'S OCTOBER VISIT IS VERY TIMELY, GIVEN THE IMPROVING PRC ATTITUDE TOWARD THE US AND PARTICULARLY THEIR INTEREST IN US AGRICULTURE. THIS VISIT OFFERS THE OPPORTUNITY TO (A) DISCUSS MARKET ACCESS AND RELATED MATTERS WITH SENIOR PRC OFFICIALS; (B) PURSUE FURTHER ASSISTANT SECRETARY CUTLER'S DISCUSSIONS IN PEKING; AND (C) RAISE THE POSSIBLE EXCHANGE OF AGRICULTURAL ATTACHES. IN ADDITION, THE VISIT WILL PROVIDE THE SECRETARY WITH AN OPPORTUNITY TO VISIT AGRRICULTURAL AREAS IN CHINA AND WILL ENHANCE USLO'S AND PARTICULARLY AG OFFICER'S ABILITY TO FUNCTION EFFECTIVELY. WE RECOMMEND PRELIMINARY CONTACT WITH CHINESE IN PLANNING FOR VISIT BE IN PEKING. END SUMMARY.

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2. MARKET ACCESS DISCUSSIONS SHOULD BE WITH THE MINISTER OF FOREIGN TRADE (AND AT HIGHER LEVELS IF THE OPPORTUNITY ARISES) AND WITH RELEVANT STATE TRADING CORPORATIONS SUBORDINATE TO THE MINISTRY OF FOREIGN TRADE. THE LONG-TERM TARGET OF SUCH DISCUSSIONS SHOULD BE AIMED AT (A)

REDUCING FLUCTUATIONS IN US

GRAIN SALES TO THE PRC AND GAINING A SUBSTANTIAL AND PERSISTENT SHARE OF CHINA'S GRAIN IMPORTS; (B) MAINTAINING AND IMPROVING THE RECENT US SHARE OF COTTON IMPORTS; (C) ENCOURAGING PURCHASES OF US SOYBEANS, BREEDING STOCK AND ADDITIONAL PURCHASES OF SOYBEAN OIL AND TALLOW.

3. DIRECT TECHNOLOGY-MARKET ACCESS LINKAGE MIGHT REPEAT MIGHT TAKE THE FORM OF FAS COOPERATOR AND US FARM MACHINERY ACTIVITIES IN AREAS SUCH AS BREAD BAKING, ANIMAL NUTRITION, VERTICALLY INTEGRATED POULTRY AND SWINE OPERATIONS AND SEED STORAGE AND DISTRIBUTION FACILITIES. THE TYPE OF ACTIVITIES ENVISAGED RE THE NORMAL TECHNICAL ACTIVITIES CARRIED OUT IN SEVERAL COUNTRIES BY FAS COOPERATORS.

4. DIRECT OR IMPLIED LINKAGE TO THE BROADER AREAS OF SCIENCE, TECHNOLOGY AND EDUCATION IS A MORE DELICATE AND COMPLEX MATTER, BUT THE FACT REMAINS THAT THE CHINESE ARE QUITE INTERESTED IN THIS AREA AND CONSIDERATION SHOULD BE GIVEN TO TARGETING RECIPROCITY GOALS IN SUCH AREAS AS MARKET ACCESS, SCIENTIFIC EXCHANGE, INFORMATION EXCHANGE, ETC. AT A MINIMUM WE SHOULD MAKE IT KNOWN THAT WE EXPECT SCIENCE, TECHNOLOGY AND EDUCATION TRANSFERS TO ENTIAL SOMETHING IN RETURN. THE COMPATIBILITY BETWEEN
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FARM IMPORTS AND MODERNIZATION GOALS SHOULD BE APPROACHED ON A SOFT-SELL BASIS AND ALTERED TO APPEAL TO THE SPECIFIC INTERESTS OF THOSE ENGAGED IN DISCUSSIONS. RATIONAL CULTURAL AND LAND-USE PRACTICES WHICH PROTECT THE OIL RESOURCES AND POPULATION AND MAXIMIZE RETURNS IS A BASIC POINT TO BE MADE, ESPECIALLY TO THE MINISTER OF AGRICULTURE. LIKE THE US, CHINA IS A NET EXPORTER OF AGRICULTURAL PRODUCTS. IT WILL NOT BE POSSIBLE TO MAINTAIN THIS POSITIVE FOREIGN EXCHANGE BALANCE FROM AGRICULTURE WITHOUT FURTHER GAINS IN EFFICIENCY FROM SPECIALIZATION. SUPPLYING A RELATIVELY SMALL SHARE OF CHINA'S URBAN FOOD AND FIBER NEEDS THROUGH IMPORTS CAN BE PROFITABLE, INSURE AGAINST WEATHER RISKS, AND IMPROVE THE EFFICIENCY OF INVESTMENTS IN MODERNIZATION EFFORTS.

5. NORMALIZATION OF RELATIONS WILL OF COURSE BE ALLUDED TO BY THE CHINESE AS A WAY TO IMPROVE MARKET ACCESS, BUT WE SHOULD FOCUS ON OTHER AREAS, ATTEMPTING TO DETERMINE CHINESE VIEWS ON CREDIT, ASSURED SUPPLIES -- THE OTHER SIDE OF THE MARKET ACCESS COIN -- AND DISCUSS

IMPROVING TRADING CONFIDENCE AND COMMUNICATIONS. WE SHOULD STRESS OUR UNMATCHED FARM CAPACITY AND THE STRONG POLICY EXPRESSIONS BY THE PRESIDENT AND CONGRESS AGAINST FOOD AND FIBER EXPORT EMBARGOES. HOW MUCH FURTHER MARKET ACCESS/ASSURED SUPPLY IS PURSUED IS A WASHINGTON POLICY MATTER. ALTHOUGH A WRITTEN AGREEMENT IN THIS AREA DOES NOT APPEAR POSSIBLE BEFORE NORMALIZATION, SOMETHING LIKE THE "HANDSHAKE" WITH THE JAPANESE MIGHT BE CONSIDERED. SECRETARY BERGLAND SHOULD ELICIT CHINESE VIEWS ON WHETHER US REPAYMENT EQUAL TO OR SOMEWHAT BETTER THAN CANADIAN AND AUSTRALIAN TERMS WOULD IMPROVE THE US'S MARKET SHARE.

6. DISCUSSIONS ON IMPROVING TRADING CONFIDENCE SHOULD FOCUS ON INTERNATIONAL TRADE PRACTICES VERSUS CHINESE CONFIDENTIAL

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TRADE PRACTICES. PROPOSAL FOR PERIODIC CONSULTATIONS BETWEEN THE CHINESE COMMODITY INSPECTION AND TESTING BUREAU AND US COUNTERPARTS SHOULD BE SERIOUS CONSIDERED. INITIALLY AT LEAST, SUCH CONSULTATIONS SHOULD BE HELD AT US PORTS AND IN PRODUCING AND STORAGE REGIONS FOR EDUCATIONAL PURPOSES. SHOULD THE CHINESE RAISE

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QUESTIONS CONCERNING US TRADING
PRACTICES AND INSPECTION, A CANDID, POSITIVE STATE-

MENT MADE BY THE SECRETARY ON THIS MATTER SHOULD SUFFICE. THE POINT SHOULD BE MADE WITH THE CHINESE THAT MANY US SUPPLIERS VIEW SELLING ON CHINESE TERMS AS A FINANCIAL RISK, AND THAT IT IS IN THE CHINESE INTEREST TO OVERCOME THIS BY ALTERING TEERMS AND DEMONSTRATING THROUGH ACTION AND FAMILIARIZATION EFFORTS THAT CLAIMS WILL BE JUST. CHINESE TRADING PRACTICES MIGHT BE IMPROVED IN THE LONG RUN BY ENCOURAGING THEIR PARTICIPATION IN SEELECTED INTERNATIONAL BODIES DEALING WITH STANDARDS AND TRADING RULES. (TAIWAN PARTICIPATION IN SOME OF THESE BODIES MIGHT PROVE AN OBSTACLE TO PRC PARTICIPATION.) IMPROVED COMMUNICATIONS SHOULD BE A PERSISTENT THEME FOR ALL AREAS AND ESPECIALLY ITS IMPORTANCE TO SATISFACTORY TRADING AND ENABLING THE US FARMER TO ADJUST PRODUCTION TO NEEDS.

7. SECRETARY BERGLAND'S VISIT PROVIDES A READY-MADE OPPORTUNITY TO FOLLOW UP ON ASSISTANT SECRETARY CUTLER'S DISCUSSIONS IN PEKING AT AN EVEN HIGHER LEVEL AND TO TURN THE DISCUSSIONS TO SPECIFICS. CONSIDERATION SHOULD ALSO BE GIEN TO HAVING THE SECRETARY

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PROPOSE THAT THE MINISTRY OF AGRICULTURE AND USDA EXCHANGE DELEGATIONSS IN 1979. IF SUCH AN EXCHANGE MATERIALIZES, USLO RECOMMENDS THAT THE USDA DELEGATION BE A MULTI-DISCIPLINARY TEAM TO EVALUATE PROSPECTIVE GAINS AND PROBLEMS THAT WILL BE ENCOUNTERED AS CHINA ATTEMPTS TO ABSORB WESTERN TECHNOLOGY INTO (A) THE LABOR-INTENSIVE PRODUCTION SYSTEM OF EASTERN CHINA AND (B) THE RECLAMATION OF MARGINAL LAND RESOURCES.

8. SECRETARY BERGLAND'S VISIT WOULD PROVIDE A SUITABLE OCCASION TO PROPOSE TO MINISTER OF AGRICULTURE YANG LI-KUNG THAT WE EXCHANGE AGRICULTURAL ATTACHES. THE CHINESE MAY NOW BE MORE RECEPTIVE TO SUCH A PROPOSAL. WHEN THE AGRICULTURAL OFFICER WAS INTRODUCED TO NEW PRCLO CHIEF CHAI TSE-MIN AT A RECENT RECEPTION, CHAI COMMENTED THAT HE REALLY SHOULD HAVE AN AGRICULTURE SPECIALIST AT PRCLO. WE HAVE RECENTLY MADE GREAT STRIDES IN INFORMALLY IDENTIFYING THE GRICULTURAL OFFICER. THE SECRETARY'S VISIT PRESENTS AN OPPORTUNITY TO MOVE FURTHER IN THIS AREA.

9. PROPOSED PROGRAM. THE CHINESE WILL, OF COURSE, MAKE THE FINAL DECISIONS ON PROGRAM AND ITINERARY. ULSLO RECOMMENDS THAT IN ADDITION TO THE MINISTER OF AGRICULTURE AND FORESTRY, APPOINTMENTS ALSO BE SOUGHT WITH THE MINISTER OF FOREIGN TRADE AND THE STATE

PLANNING COMMISSION (AND POSSIBLY THE MINISTRY OF WATER CONSERVANCY AND POWER). IF TIME PERMITS, THE SECRETARY SHOULD VISIT A RESEARCH INSTITUTION, GRAIN HANDLING FACILITIES AT BOTH A PORT AND A PRODUCING AREA, AND TWO OR THREE GRAIN COMMUNES. WE SUGGEST PROPOSING THE FOLLOWING TO THE CHINESE: PEKING -- GRAIN COMMUNE AND RESEARCH INSTITUTION. CHENG TU -- CONFIDENTIAL

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COMMUNE VISIT AND CALL ON LOCAL OFFICIALS (SZECHWAN HAS RECENTLY BEEN OPENED TO FOREIGN VISITORS AND IS THE LARGEST AGRICULTURAL PROVINCE IN CHINA). NANCHANG-- COMMUNE, LOCAL OFFICIALS, AND GRAIN STORAGE FACILITIES (THIS IS AN INTENSIVELY FARMED AREA IN THE YANGTZE RIVER BASIN WHICH HAS RECENTLY BEEN OPENED TO FOREIGNERS). SHANGHAI -- PORT FACILITIES AND GRAIN STORAGE FACILITIES, LOCAL OFFICIALS AND RESEARCH INSTITUTION (ALTERNATE TO PEKING RESEARCH INSTITUTION).

10. USLO RECOMMENDS THAT CONTACTS WITH THE CHINESE ON PLANNING THE SECRETARY'S VISIT BE HANDLED PRIMARILY BY USLO. CONTACTS IN PEKING WILL ENSURE THAT USG VIEWS ON SECRETARY BRGLAND'S PROGRAM ARE COMMUNICATED DIRECTLY TO DECISION-MAKING OFFICIALS IN THE MIISTRY OF AGRICULTURE AND FORESTRY WITHOUT FILTERING THROUGH PRCLO AND THE MINISTRY OF FOREIGN AFFAIRS. FURTHERMORE, THIS OPPORTUNITY TOWORK DIRECTLY WITH PRC OFFICIALS WILL IMPROVE USLO'S AND THE AGRICULTURAL OFFICER'S ACCESS AND ROLE IN PEKING.
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